

# Multi-Year Revenue and Expenditure Forecast Scenarios

**REVENUE AND EXPENDITURE FORECAST SCENARIOS**  
**Three Scenarios using Low Growth, Mid-Growth & High Growth**  
**Revenue Assumptions**

The following three tables present revenue and expenditure forecasts for all funds in the City's operating budget, as requested by the Budget and Fiscal Affairs Advisory Committee and as required under the City Council's debt-related financial policies. These forecast scenarios are based on the sets of assumptions detailed below.

It is important to note that in years where the forecast scenario results in a negative variance between projected revenues and projected expenditures, the variance would have to be addressed, and each year's budget balanced, through a reduction in the planned level of expenditures, an increase in revenues (tax or fee increases or new revenue sources) or a combination of these methods. As a result, the cumulative shortfall in the out years of these forecasts will actually never occur.

The expenditure assumptions included in these scenarios remain constant in each of the scenarios, while the revenue assumptions vary. This approach illustrates the sensitivity of maintaining current services and policies with varying rates of revenue growth. In all scenarios, before individual category assumptions have been made, staff assumed a consumer price index (CPI) growth of 2.5 percent per year. It should be noted that the expenditure assumptions included in these scenarios are not meant to be an indication of any commitment to a particular level of planned expenditure increases in future years; rather, these assumptions are meant to illustrate the possible funding choices the City must make in future years in each revenue growth scenario.

The Mid-Range Forecast Scenario represents the most probable outcome of the three scenarios with regard to overall revenue and expenditure growth rates. However, with the many economic and policy variables that would influence revenues and expenditures in the FY 2003 to FY 2008 time period, the bottom line excess or shortfall amounts need to be considered as "order of magnitude" results that will change as the assumed economic and policy variables differ from these long-range projections. In that light, the \$4.7 million shortfall projection in the Mid-Range Forecast Scenario for FY 2004 will have some degree of variability, and because it represents approximately 1.0% of total revenues, it should not be a material concern. It does reflect, however, that because of increasing infrastructure demands, school funding needs, fair employee compensation responsibilities, and an "antiquated" tax structure that is tied largely to property taxes, the City will continue to be required to make careful fiscal, programmatic and policy choices in the years ahead.

The funding gap or surplus forecasts range from a negative \$43.6 million to a positive \$40.0 million in FY 2008. This represents only an 15% band in comparison to the total expenditure budget estimate in FY 2008. As a result, the conclusion that one can reach is that the City's finances are sound and will remain sound. However, careful financial management and sound policy decision making will be critical to keeping the City's finances sound over the long term.

## Multi-Year Revenue and Expenditures Forecast Scenarios

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### ALL SCENARIOS - EXPENDITURES

#### **EXPENDITURE ASSUMPTIONS:** (Assumptions remain constant for each revenue scenario)

- (1) FY 2003 expenditures reflect the Approved FY 2003 budget. All expenditure assumptions build from this base.
- (2) Cash capital expenditures: The projected expenditures from FY 2003-FY 2008 for cash capital are consistent with the Capital Improvement Program Funding Summary presented in the FY 2003-FY 2008 Capital Improvement Program document, which reflects cash capital appropriations to meet planned pay-as-you-go capital funding levels.
- (3) Debt service expenditures: The projected expenditures from FY 2003-FY 2008 for debt service are consistent with the Approved Capital Improvement Program, which reflects the issuance of \$55 million in additional new General Obligation debt: \$28 million in FY 2004, \$20 million in FY 2005, and \$7 million in FY 2006. All new debt issuance assumes 20 year issues, with principal payments structured on a phased-in basis, with a true interest cost of approximately 4.75 percent.
- (4) Personnel expenditures — City and Schools:

In FY 2004-FY 2008, City personnel expenditures increase 4.6 percent annually, which is the result of providing funding for a step increase on the declining percentage pay plan for an estimated 75 percent of the City work force not at the maximum salary on the pay scales, a cost of living adjustment (approximately 2.0 percent) in each year, and increasing health insurance costs. Staffing levels in each agency are projected to remain constant at FY 2003 levels.

School personnel expenditures: Schools personnel expenditures increase at the same rate as the City with the addition of \$1.5 million per year to compensate for budget initiatives and enrollment increases the order of magnitude of which is unknown.

- (5) Non-Personnel expenditures — City and Schools:

- (a) City Non-personnel expenditures

In FY 2004-FY 2008, a 3 percent increase is assumed for non-personnel expenditures in all categories except transit subsidies, cash capital and debt service, and as noted below.

## Multi-Year Revenue and Expenditures Forecast Scenarios

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- Recycling costs in FY 2004 through FY 2008: Due to the increasing cost of refuse disposal at the Waste to Energy plant and the need to maintain a competitive tip fee, the City is no longer able to finance its recycling program through a surcharge on the tip fee at the plant. As a result, the City's General Fund expenditures for recycling are projected to increase by \$350,000 in FY 2004, \$500,000 in FY 2005, \$525,000 in FY 2006, \$550,000 in FY 2007, and \$570,320 in FY 2008. This is likely to be recovered by increasing the solid waste fee.
- Transit Subsidies in FY 2004 through FY 2008: Transit subsidies are projected to increase by 5 percent each year due to increased capital and operating needs anticipated at WMATA and DASH due to ridership growth and aging infrastructures.
- Schools Non-personnel expenditures: In each year from FY 2004-FY 2008, Schools non-personnel expenditures are projected to increase at 3 percent, which is the same as City non-personnel increases.

## Multi-Year Revenue and Expenditures Forecast Scenarios

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### ALL SCENARIOS - REVENUE

Three different scenarios of revenue growth for the period of FY 2004 through FY 2008 have been developed based on varying assumptions about future rates of growth for each of the revenue categories listed in the table below. Each scenario is based on FY 2003 approved tax and fee rates. All projected increases are generated by economic growth or the impact of inflation on goods and services that are taxed. The rate of growth assumed in each category for each scenario is shown below.

Revenue Category	Low Growth	Mid-Range Growth	High Growth
Real Estate Property	3%	5%	7%
Personal Property	5%	7%	9%
Penalties & Interest	1%	3%	5%
Local Sales	3%	5%	7%
Utility	1%	1%	1%
Business License	3%	5%	7%
Motor Vehicle License	1%	1%	1%
Recordation	0%	5%	7%
Tobacco	0%	0%	0%
Transient Lodging	1%	3%	5%
Restaurant Food	3%	4%	5%
Other Miscellaneous	3%	3%	3%
Intergovernmental	0%	3%	5%
Other Non-Tax Revenue	3%	3%	3%
Other Special Revenue	3%	3%	3%
Equipment Replacement Fund	3%	3%	3%

# Low Growth Forecast Scenario

Approved  
City of Alexandria, Virginia FY 2003 Budget 4-72

Summary Tables  
MER/CAM

	FY 2003 Approved (1)	FY 2004 Forecast (2)	FY 2005 Forecast (3)	FY 2006 Forecast (4)	FY 2007 Forecast (5)	FY 2008 Forecast (6)
1 General Fund						
2 General property tax revenue						
3 Real property tax	176,572,000	181,869,200	187,325,200	192,945,000	198,733,300	204,695,300
4 Personal property tax	31,184,000	32,743,200	34,380,400	36,099,400	37,904,300	39,799,600
5 Penalties and interest	1,100,000	1,111,000	1,122,100	1,133,300	1,144,700	1,156,100
6						
7 Total general property tax revenue	208,856,000	215,723,400	222,827,700	230,177,700	237,782,300	245,651,000
8						
9 Other Local Tax Revenue	84,118,000	86,055,500	88,046,300	90,091,800	92,193,600	94,353,400
10						
11 Other Non-Tax Revenue	70,380,500	71,114,800	71,871,100	72,650,100	73,452,400	74,278,800
12						
13 Total General Fund Revenues	363,354,500	372,893,700	382,745,100	392,919,600	403,428,300	414,283,200
14 Other Financing Sources (Uses)						
15 Appropriation from Fund Balance						
16 for Operating Budget	9,816,600	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
17						
18						
19 Total General Fund revenues and other	373,171,100	376,893,700	386,745,100	396,919,600	407,428,300	418,283,200
20 sources						
21 Special Revenues & Other Funds						
22 Appropriation from Schools Fund Balance	0	0	0	0	0	0
23 Other Special Revenue (donations/charges)	74,993,700	77,243,500	79,560,800	81,947,600	84,406,000	86,938,200
24 Enterprise Fund	751,000	773,500	796,700	820,600	845,200	870,600
25 Equipment Replacement Fund	5,435,300	5,598,300	5,766,300	5,939,300	6,117,400	6,301,000
26						
27 Total Special Revenue & Other Funds	81,180,000	83,615,300	86,123,800	88,707,500	91,368,600	94,109,800
28						
29 Total Revenues, All Funds	454,351,100	460,509,000	472,868,900	485,627,100	498,796,900	512,393,000
30						
31 EXPENDITURES & OTHER USES						
32						
33 City Personnel	168,469,700	176,219,300	184,325,400	192,804,300	201,673,300	210,950,300
34 City Non-personnel, including Transit	105,795,200	109,130,600	112,574,600	116,130,700	119,802,900	123,595,100
35 Debt service	17,739,100	18,454,700	19,366,700	20,467,900	19,513,100	19,005,500
36 Cash capital	14,200,000	15,000,000	16,500,000	16,800,000	13,600,000	10,900,000
37						
38 Schools Personnel	124,772,000	132,011,600	139,584,100	147,505,000	155,790,200	164,456,500
39 Schools Non-personnel	23,375,100	24,076,400	24,798,700	25,542,600	26,308,900	27,098,200
40						
41 Total Expenditures	454,351,100	474,892,600	497,149,500	519,250,500	536,688,400	556,005,600
42						
43 Excess/(Shortfall) of Revenues and Other	0	-14,383,600	-24,280,600	-33,623,400	-37,891,500	-43,612,600
44 Sources over Expenditures and Other Uses						
45 Note: In reality, the projected deficits would not occur.						
46 Actions would be taken to reduce expenditures or increase revenues.						
47						
48 DEBT SERVICE INDICATORS						
49						
50 Debt as a % of Real Property Assessed Value	0.8%	0.9%	0.9%	0.8%	0.7%	0.7%
51 Debt per capita as a % of per capita income	1.8%	1.9%	1.9%	1.7%	1.5%	1.3%
52 Debt Service as % of General Expenditures	3.9%	3.9%	3.9%	3.9%	3.6%	3.4%
53 Unreserved Fund Balance as a % of General Fund Revenue	17.3%	Not projected	Not projected	Not projected	Not projected	Not projected

### Mid-Range Growth Forecast Scenario

	FY 2003 Approved (1)	FY 2004 Forecast (2)	FY 2005 Forecast (3)	FY 2006 Forecast (4)	FY 2007 Forecast (5)	FY 2008 Forecast (6)
General Fund						
General property tax revenue						
Real property tax	176,572,000	185,400,600	194,670,600	204,404,200	214,624,400	225,355,600
Personal property tax	31,184,000	33,366,900	35,702,600	38,201,700	40,875,900	43,737,200
Penalties and interest	1,100,000	1,133,000	1,167,000	1,202,000	1,238,100	1,275,200
Total general property tax revenue	208,856,000	219,900,500	231,540,200	243,807,900	256,738,400	270,368,000
Other Local Tax Revenue	84,118,000	87,208,500	90,437,200	93,810,500	97,335,300	101,018,800
Other Non-Tax Revenue	70,380,500	72,492,000	74,666,800	76,906,800	79,214,000	81,590,400
Total General Fund Revenues	363,354,500	379,601,000	396,644,200	414,525,200	433,287,700	452,977,200
Other Financing Sources (Uses)						
Appropriation from Fund Balance for Operating Budget	9,816,600	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Total General Fund revenues and other sources	373,171,100	386,601,000	403,644,200	421,525,200	440,287,700	459,977,200
Special Revenues & Other Funds						
Appropriation from Schools Fund Balance	0	0	0	0	0	0
Other Special Revenue (donations/charges)	74,993,700	77,243,500	79,560,800	81,947,600	84,406,000	86,938,200
Enterprise Fund	751,000	773,500	796,700	820,600	845,200	870,600
Equipment Replacement Fund	5,435,300	5,598,300	5,766,300	5,939,300	6,117,400	6,301,000
Total Special Revenue & Other Funds	81,180,000	83,615,300	86,123,800	88,707,500	91,368,600	94,109,800
Total Revenues, All Funds	454,351,100	470,216,300	489,768,000	510,232,700	531,656,300	554,087,000

#### EXPENDITURES & OTHER USES

City Personnel	168,469,700	176,219,300	184,325,400	192,804,300	201,673,300	210,950,300
City Non-personnel, including Transit	105,795,200	109,130,600	112,574,600	116,130,700	119,802,900	123,595,100
Debt service	17,739,100	18,454,700	19,366,700	20,467,900	19,513,100	19,005,500
Cash capital	14,200,000	15,000,000	16,500,000	16,800,000	13,600,000	10,900,000
Schools Personnel	124,772,000	132,011,600	139,584,100	147,505,000	155,790,200	164,456,500
Schools Non-personnel	23,375,100	24,076,400	24,798,700	25,542,600	26,308,900	27,098,200
Total Expenditures	454,351,100	474,892,600	497,149,500	519,250,500	536,688,400	556,005,600
Excess/(Shortfall) of Revenues and Other Sources over Expenditures and Other Uses	0	-4,676,300	-7,381,500	-9,017,800	-5,032,100	-1,918,600

Note: In reality, the projected deficits would not occur.

Actions would be taken to reduce expenditures or increase revenues.

#### DEBT SERVICE INDICATORS

Debt as a % of Real Property Assessed Value	0.8%	0.9%	0.9%	0.8%	0.7%	0.7%
Debt per capita as a % of per capita income	1.8%	1.9%	1.9%	1.7%	1.5%	1.3%
Debt Service as % of General Fund Estimated Expenditures	3.9%	3.9%	3.9%	3.9%	3.6%	3.4%
Unreserved Fund Balance as a % of General Fund Revenue	17.3%	Not projected	Not projected	Not projected	Not projected	Not projected

## High Growth Forecast Scenario

	FY 2003 Approved (1)	FY 2004 Forecast (2)	FY 2005 Forecast (3)	FY 2006 Forecast (4)	FY 2007 Forecast (5)	FY 2008 Forecast (6)
<b>General Fund</b>						
General property tax revenue						
Real property tax	176,572,000	188,932,000	202,157,300	216,308,300	231,449,900	247,651,400
Personal property tax	31,184,000	33,990,600	37,049,700	40,384,200	44,018,800	47,980,400
Penalties and interest	1,100,000	1,155,000	1,212,800	1,273,400	1,337,100	1,403,900
<b>Total general property tax revenue</b>	<b>208,856,000</b>	<b>224,077,600</b>	<b>240,419,800</b>	<b>257,965,900</b>	<b>276,805,800</b>	<b>297,035,700</b>
<b>Other Local Tax Revenue</b>	<b>84,118,000</b>	<b>88,316,500</b>	<b>92,779,300</b>	<b>97,524,000</b>	<b>102,569,200</b>	<b>107,935,000</b>
<b>Other Non-Tax Revenue</b>	<b>70,380,500</b>	<b>73,410,100</b>	<b>76,576,500</b>	<b>79,886,000</b>	<b>83,345,400</b>	<b>86,961,700</b>
<b>Total General Fund Revenues</b>	<b>363,354,500</b>	<b>385,804,200</b>	<b>409,775,600</b>	<b>435,375,900</b>	<b>462,720,400</b>	<b>491,932,400</b>
<b>Other Financing Sources (Uses)</b>						
Appropriation from Fund Balance for Operating Budget	9,816,600	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
<b>Total General Fund revenues and other sources</b>	<b>373,171,100</b>	<b>395,804,200</b>	<b>419,775,600</b>	<b>445,375,900</b>	<b>472,720,400</b>	<b>501,932,400</b>
<b>Special Revenues &amp; Other Funds</b>						
Appropriation from Schools Fund Balance	0	0	0	0	0	0
Other Special Revenue (donations/charges)	74,993,700	77,243,500	79,560,800	81,947,600	84,406,000	86,938,200
Enterprise Fund	751,000	773,500	796,700	820,600	845,200	870,600
Equipment Replacement Fund	5,435,300	5,598,300	5,766,300	5,939,300	6,117,400	6,301,000
<b>Total Special Revenue &amp; Other Funds</b>	<b>81,180,000</b>	<b>83,615,300</b>	<b>86,123,800</b>	<b>88,707,500</b>	<b>91,368,600</b>	<b>94,109,800</b>
<b>Total Revenues, All Funds</b>	<b>454,351,100</b>	<b>479,419,500</b>	<b>505,899,400</b>	<b>534,083,400</b>	<b>564,089,000</b>	<b>596,042,200</b>
<b>EXPENDITURES &amp; OTHER USES</b>						
City Personnel	168,469,700	176,219,300	184,325,400	192,804,300	201,673,300	210,950,300
City Non-personnel, including Transit	105,795,200	109,130,600	112,574,600	116,130,700	119,802,900	123,595,100
Debt service	17,739,100	18,454,700	19,366,700	20,467,900	19,513,100	19,005,500
Cash capital	14,200,000	15,000,000	16,500,000	16,800,000	13,600,000	10,900,000
Schools Personnel	124,772,000	132,011,600	139,584,100	147,505,000	155,790,200	164,456,500
Schools Non-personnel	23,375,100	24,076,400	24,798,700	25,542,600	26,308,900	27,098,200
<b>Total Expenditures</b>	<b>454,351,100</b>	<b>474,892,600</b>	<b>497,149,500</b>	<b>519,250,500</b>	<b>536,688,400</b>	<b>556,005,600</b>
Excess/(Shortfall) of Revenues and Other Sources over Expenditures and Other Uses	0	4,526,900	8,749,900	14,832,900	27,400,600	40,036,600
<b>Note: In reality, the projected deficits would not occur.</b>						
<b>Actions would be taken to reduce expenditures or increase revenues.</b>						
<b>DEBT SERVICE INDICATORS</b>						
Debt as a % of Real Property Assessed Value	0.8%	0.9%	0.9%	0.8%	0.7%	0.7%
Debt per capita as a % of per capita income	1.8%	1.9%	1.9%	1.7%	1.5%	1.3%
Debt Service as % of General Fund Estimated Expenditures	3.9%	3.9%	3.9%	3.9%	3.6%	3.4%
Unreserved Fund Balance as a % of General Fund Revenue	17.3%	Not projected	Not projected	Not projected	Not projected	Not projected